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SUBJECT: ARMS DEALER SAYS POLICE MOVING AWAY FROM US WEAPONS

Classified By: CHARGE D'AFFAIRES ROBERT BLAU, REASON 1.4(D)

¶1. (C) SUMMARY. According to one of El Salvador's largest arms dealers, the National Civil Police (PNC) is moving away from US-made weaponry and shifting suppliers to a prominent backer of President Funes. The Salvadoran military, however, remains committed to purchasing US-made equipment. Neither move is surprising, given the political ties involved in the Salvadoran arms business and the PNC's well-documented financial difficulties. END SUMMARY.

¶2. (C) During a Blue Lantern check (septel) Jose Miguel Diaz, General Manager of Centrum, one of El Salvador's two largest arms dealers, told Econoff that Centrum expected to lose most of its business with the National Civil Police (PNC). Before the change of government, Diaz said, Centrum had been the largest supplier of weapons to the PNC, but the new administration had already backed away from signing several contracts that had been initiated under the previous government. He added that some of their contacts within the PNC had advised them not to expect any new business. Because of this, Diaz was unsure whether Centrum would remain in business, and he remarked throughout the conversation that he expected "to be unemployed by December."

¶3. (C) According to Diaz, this shift was mostly political. Centrum's owner, Gustavo Lopez Davidson, is a former member of COENA, the executive committee of ARENA. Now that the FMLN was in power, Diaz advised Centrum was hearing most of the PNC business would go to Miguel Menendez, owner of the security company COSASE and close friend of President Funes. Menendez, he said, owned his own ammunition factory, but that Menendez's small import business was mostly focused on "crappy Argentine revolvers." Even before the change of government, Diaz acknowledged, the PNC had been moving away from US weaponry in favor of equipment from Brazil, Argentina, and Israel because they could buy it more cheaply and get it faster.

¶4. (C) Diaz said the new Ministry of Defense still planned to buy mostly US-made equipment, and had even expressed interest in buying some of the weapons the new PNC leadership had refused. Centrum's competitor, (American-run) AMK Trading, dominates military sales, however, and Diaz did not think Centrum could win enough military contracts to compensate for the loss of police business.

¶5. (C) Separately, Diaz advised that the Ministry of Defense had been blocking import licenses for carbines and other "automatic rifles" for the PNC. Diaz confided that one Ministry of Defense source told him the military was worried about the sheer number of "assault rifles" the PNC was ordering, since under current regulations only the special operations units of the PNC may have automatic rifles.

¶6. (C) COMMENT: Centrum's business model had been based on its owner's ties to ARENA, so it is not surprising that the company is losing contracts in the new administration in favor of one of the most prominent "Friends of Mauricio." The PNC had also previously complained to INL about the length of time it took to get US-made weaponry and munitions.

While part of this was because of our export license process, most of it was because of Centrum's frequent inability to correctly complete their license paperwork.

BLAU